



Disaster Administrative Cost Report

Report to Congress on Disasters Declared in Fiscal Year
2015

March 21, 2017



Homeland
Security

*Federal Emergency
Management Agency*

Message from the Acting Administrator

March 21, 2017

I am pleased to present the following, “Administrative Cost Report,” which has been prepared by the Office of Policy and Program Analysis in partnership with the Office of Response and Recovery at the Federal Emergency Management Agency. The report has been compiled in response to a legislative requirement included in the Directing Dollars to Disaster Relief Act of 2015 (Pub. L. No. 114-132). The report provides a summary of the amount of funding spent on administrative costs for disasters declared in fiscal year 2015.

Pursuant to congressional requirements, this report is being provided to the following Members of Congress:

The Honorable Ron Johnson, Chairman, Senate Committee on Homeland Security and Governmental Affairs

The Honorable Claire McCaskill, Ranking Member, Senate Committee on Homeland Security and Governmental Affairs

The Honorable Bill Shuster, Chairman, House Committee on Transportation and Infrastructure

The Honorable Peter DeFazio, Ranking Member, House Committee on Transportation and Infrastructure

Inquiries relating to this report may be directed to me at (202) 646-3900 or to FEMA’s Congressional Affairs Division at (202) 646-4500.

Sincerely,



Robert J. Fenton
Acting Administrator
Federal Emergency Management Agency



Executive Summary

The mission of the Federal Emergency Management Agency (FEMA) is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards. The Agency's 2014-2018 Strategic Plan emphasizes the need to be survivor centric and strive for both effectiveness and efficiency in delivering the mission.

Beginning with FEMA's 2010 guide to "Achieving Efficient Joint Field Office Operations" and continuing beyond the release of its internal Plan to Reduce Disaster Administrative Costs (the Plan) in January 2016, the Agency has focused on achieving cost efficiency in disaster operations. The release of the U.S. Government Accountability Office (GAO) report GAO-15-65 "Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters" and the subsequent passage of the Directing Dollars to Disaster Relief Act of 2015 (Pub. L. No. 114-132) (the Act) have reinforced the importance of cost efficiency and managing disaster administrative costs. The Agency accepted the findings of GAO-15-65, many of which are reflected in the Plan, which serves to guide the Agency towards more cost efficient disaster operations and also satisfies a requirement in the Act.

Central to the Plan is a set of principles that inform and guide disaster managers' decisions regarding administrative costs. These principles emphasize the importance of effectively carrying out the Agency's mission while also striving for efficiency. To that end, FEMA has undertaken a number of initiatives to improve the effectiveness and efficiency of field operations, including streamlined delivery of Public Assistance, FEMA's largest grant program, to facilitate a more consistent and satisfactory outcome for applicants; improved Agency data management systems and infrastructure; and the development of a qualified workforce to ensure the Agency is ready to respond to all disasters. The Plan has also motivated additional analysis of the drivers of administrative costs and encouraged transparency of costs across the Agency.

In the Plan, the Agency set annual interim targets to meet the aggressive five percentage point overall reduction in administrative costs by fiscal year (FY) 2018 as set in the 2014-2018 Strategic Plan, but conveyed the importance of not compromising the Agency's ability to effectively respond to disasters in pursuit of these targets. Disasters declared in FY 2015 did not meet the annual targets for a few reasons. First, the Plan was not finalized until early in FY 2016, so many of the initiatives have not had time to mature enough to lower administrative costs. Second, FEMA has prioritized investing in training and building a workforce to respond to catastrophic disasters which requires on the job training in the field. FEMA continues to work to reduce disaster administrative costs, while also ensuring that it can effectively accomplish its mission.

The Act requires the FEMA Administrator to provide a report at the end of each fiscal year beginning in 2016 on Agency performance against its strategic administrative cost goals, which FEMA has outlined in the Plan. This report fulfills the annual reporting requirements outlined in the Act. The report includes a brief background on administrative costs; findings related to achieving strategic goals set forth in the Plan; reporting on the Agency's administrative spending for disasters declared in FY 2015; an assessment of the Plan; actions the Agency has identified to improve upon and reach its strategic goals; and the Agency's progress on reporting administrative spending by program area.



Administrative Cost Report

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I. Legislative Requirement

This document responds to the reporting requirement set forth in Section 4 of the Directing Dollars to Disaster Relief Act of 2015 (Pub. L. No. 114-132). The Act states, in pertinent part:

Sec. 3 – Integrated Plan for Administrative Cost Reduction

- (a) In General – Not later than 365 days after the date of enactment of this Act, the Administrator shall –*
 - (1) develop and implement an integrated plan to control and reduce administrative costs for major disasters, which shall include—*
 - (A) steps the Agency will take to reduce administrative costs;*
 - (B) milestones needed for accomplishing the reduction of administrative costs;*
 - (C) strategic goals for the average annual percentage of administrative costs of major disasters for each fiscal year;*
 - (D) the assignment of clear roles and responsibilities, including the designation of officials responsible for monitoring and measuring performance, and*
 - (E) a timetable for implementation;*
 - (2) compare the costs and benefits of tracking the administrative cost data for major disasters by the public assistance, individual assistance, hazard mitigation, and mission assignment programs, and if feasible, track this information.*

Sec. 4 – Reporting Requirement

- (a) Annual Report – Not later than November 30 of each year for 7 years beginning on the date of enactment of this Act, the Administrator shall submit to [the] Committee on Homeland Security and Governmental Affairs of the Senate and the Committee on Transportation and Infrastructure of the House of Representatives a report on the development and implementation of the integrated plan required under section 3 for the previous fiscal year.*
- (b) Report Updates –*
 - (1) Three Year Update – Not later than 3 years after the date on which the Administrator submits a report under subsection (a), the Administrator shall submit an updated report for the previous 3-fiscal-year period;*
 - (2) Five Year Update – Not later than 5 years after the date on which the Administrator submits a report under subsection (a), the Administrator shall submit an updated report for the previous 5-fiscal-year period.*
- (c) Contents of Reports – Each report required under subsections (a) and (b) shall contain, at a minimum –*
 - (1) the total amount spent on administrative costs for the fiscal year period for which the report is being submitted;*
 - (2) the average annual percentage of administrative costs for the fiscal year period for which the report is being submitted;*
 - (3) an assessment of the effectiveness of the plan developed under section (3)(a)(1);*
 - (3)(a)(1);*
 - (4) an analysis of—*
 - (A) whether the Agency is achieving the strategic goals established under section (3)(a)(1)(C); and*

- (B) in the case of the Agency not achieving such strategic goals, what is preventing the Agency from doing so;*
- (5) any actions the Agency has identified as useful in improving upon and reaching the goals for administrative costs established under section 3(a)(1)(C); and*
- (6) any data described in section 3(a)(2), if the Agency determines it feasible to track such data.*

II. Background

The mission of the Federal Emergency Management Agency (FEMA) is to support our citizens and first responders to ensure that as a nation we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from and mitigate all hazards. In the Agency's 2014-2018 Strategic Plan, the first priority is to "Be Survivor Centric in Mission and Program Delivery." This means that FEMA is striving to "maximize speed, efficiency, accessibility and ease of use of FEMA's programs and services for individuals and communities," or in other words, to be effective *and* efficient in executing its mission. This report focuses on the progress FEMA has made in reducing administrative costs during disaster operations and improving overall cost efficiencies, while recognizing that maintaining effectiveness is a critical complement to efficiency. If efficiency were the Agency's singular goal, its effectiveness in meeting disaster survivors' needs following an incident would be compromised.

In November 2010, FEMA drafted a guide titled "Achieving Efficient Joint Field Office Operations" which recognized that FEMA's costs to administer disasters were rising. The guide was used to help leaders manage costs of field operations. FEMA pursued a number of initiatives to manage costs on field operations. These initiatives included establishing virtual operations when possible to limit travel expenses, implementing spend plans for all major disasters to help leaders estimate what future costs they could expect, and actively managing staff overtime. Following the release of this guide, the U.S. Government Accountability Office (GAO) released report GAO-12-838 ("Federal Disaster Assistance: Improved Criteria Needed to Assess a Jurisdiction's Capability to Respond and Recover on Its Own") recommending that FEMA implement goals and track administrative costs.

In July 2014, the Agency addressed rising administrative costs in its 2014-2018 Strategic Plan, adopting a Strategic Plan Performance Goal to reduce disaster administrative costs by five percentage points by the end of FY 2018. A cross-functional team worked to ensure that the Agency had a common definition of administrative costs, defined the baseline and set annual targets to reach the Strategic Plan goal. The goal and annual targets set by FEMA in its Strategic Plan were aggressive and intended to drive towards greater cost efficiency in the Agency.

In December 2014, the GAO released report GAO-15-65, "Opportunities Exist to Strengthen Oversight of Administrative Costs for Major Disasters." In this report, the GAO recognized FEMA's efforts to emphasize the importance of controlling administrative costs but had several recommendations for improvement. The GAO found that FEMA had taken steps to reduce and

better control its administrative costs, noting the inclusion of the goal and targets in the Agency's Strategic Plan, but that FEMA lacked an integrated plan with mechanisms for accountability. The GAO also recommended the Agency track administrative costs by major disaster program area and assess the costs versus benefits of doing so.

After adopting the goal and targets in the Agency's Strategic Plan, FEMA worked across the Agency to develop a plan for meeting these goals because FEMA recognized that achieving the aggressive five percentage point reduction in administrative costs required input from all Agency components. In December 2015, the Agency finalized the FEMA Plan to Reduce Disaster Administrative Costs (the Plan), and it was published internally in January 2016. The Plan serves as an internal guide as the Agency works to achieve its strategic disaster administrative cost goal while ensuring that disaster operations are conducted effectively and efficiently.

In February 2016, the President signed the Directing Dollars to Disaster Relief Act of 2015 (the Act) into law. The Act requires the FEMA Administrator to: (1) develop and implement an integrated plan to control and reduce administrative costs for major disasters; (2) compare the costs and benefits of tracking administrative cost data for major disasters by the public assistance, individual assistance, hazard mitigation and mission assignment programs, and if feasible, track this information; and (3) clarify Agency guidance and minimum documentation requirements for a direct administrative cost claimed by a grantee or subgrantee of a public assistance grant program. The Act includes annual reporting requirements for seven years and three- and five-year updates to the annual reports. Figure 1 shows the timeline of recent activity related to managing administrative costs at FEMA.

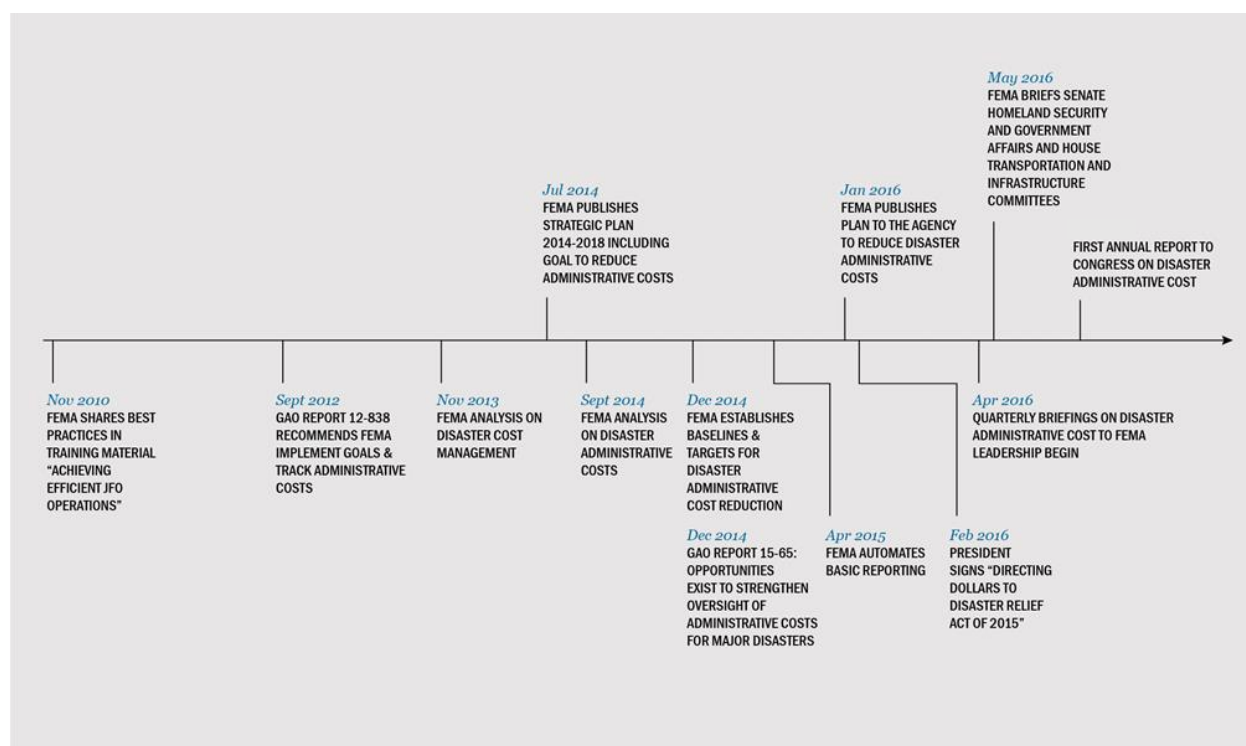


Figure 1: Timeline of Relevant Disaster Administrative Cost Activity

Following passage of the Act, FEMA briefed congressional stakeholders on the Plan. The Plan met the initial requirements of the Act, which required the FEMA Administrator to develop and implement an integrated plan to control and reduce administrative costs for major disasters.

This report fulfills the annual reporting requirement identified in the Act and includes: a brief background on administrative costs; findings related to achieving strategic goals set forth in the Plan; reporting on FEMA's administrative spending for disasters declared in FY 2015; an assessment of the Plan; actions FEMA has identified to improve upon and reach its strategic goals; and the Agency's progress on reporting administrative spending by program area.

III. Defining and Reporting Disaster Administrative Costs

Following release of the 2014-2018 FEMA Strategic Plan, the Agency adopted a standardized definition for its disaster administrative costs. According to this definition, disaster administrative costs include disaster related personnel costs such as salaries, benefits, and travel; the cost of tasking another Federal agency to support operations (mission assignments); technical assistance contracts associated with the execution of FEMA Public Assistance, Hazard Mitigation, and Housing Assistance programs, and general administrative costs such as leases, communications, supplies, and equipment that are incurred from declaration to disaster closure. The definition of administrative costs specifically excludes program costs associated with mission assignments for Direct Federal Assistance, Urban Search and Rescue costs, and all other program deliverables and assistance such as grants to survivors.

Consistent with the GAO methodology for analyzing FEMA's administrative costs in GAO-15-65, FEMA evaluates the administrative costs for a given fiscal year as those costs for *disasters declared in the fiscal year being considered*.

Two key aspects inform the methodology used by the Agency to calculate administrative cost percentages. The first is to calculate administrative cost percentages by disaster size. Because disasters of different magnitudes may require different management, FEMA reports these costs and tracks its performance based on disaster size. Disaster size is determined by the total actual federal dollars obligated (including both program dollars and administrative costs obligated). Small disasters have total federal obligations of less than \$50 million, medium disasters have total federal obligations from \$50 million to \$500 million, and large disasters have federal obligations greater than \$500 million. Based on this breakdown, for each fiscal year FEMA is reporting three administrative cost percentages: one for small disasters, one for medium disasters, and one for large disasters.

Second, the administrative costs reported are for disasters declared in FY 2015, representing a one fiscal year delay in reporting. This also means that the Agency's Strategic Plan goal for disasters declared in FY 2018 will not be reported on until the end of FY 2019. FEMA reports administrative costs on a one year delay for two reasons. First, a disaster's administrative cost percentage changes considerably over the course of the first year after it is declared. If FEMA were reporting administrative cost percentages for disasters declared in the fiscal year immediately prior to the report, it would include disasters whose administrative cost percentages were still fluctuating significantly. Because these disasters' administrative cost percentages

would likely stabilize after the one year mark, reporting too soon could mischaracterize their performance. Second, the financial closure of a disaster including final administrative costs often occurs over a longer time period. Financial closure gives a true and final picture of a disaster's administrative cost percentage so reporting on a delay means that disasters are closer to reaching financial closure.

The average annual percentage of administrative costs for disasters declared in a given fiscal year is determined first by grouping all disasters by the fiscal year in which they were declared and calculating, for each disaster, its administrative cost percentage:

$$\text{Administrative cost \% for a disaster} = \frac{\text{Total administrative costs for a disaster}}{(\text{Total program obligations} + \text{Total administrative costs}) \text{ for a disaster}}$$

Then, to determine the administrative cost percentage for a given fiscal year (by disaster size), the average of the administrative cost percentages is calculated by:

$$\text{Average annual administrative cost \%} = \frac{\text{Sum of administrative cost percentages for disasters}}{\text{Total number of disasters}}$$

In summary, the administrative cost percentage for a fiscal year is calculated by summing the individual administrative cost *percentages* for all disasters in that fiscal year (by disaster size) and dividing by the total number of disasters in that fiscal year (by disaster size). For example, if there were fifteen small disasters in a given fiscal year, the administrative cost percentages for those fifteen small disasters would be summed and then divided by fifteen.

Figure 2 represents a typical administrative cost percentage curve during the first two years after a disaster is declared. The curve is based on the median observed administrative cost percentages over time for small, medium, and large disasters from 2004 to 2014.

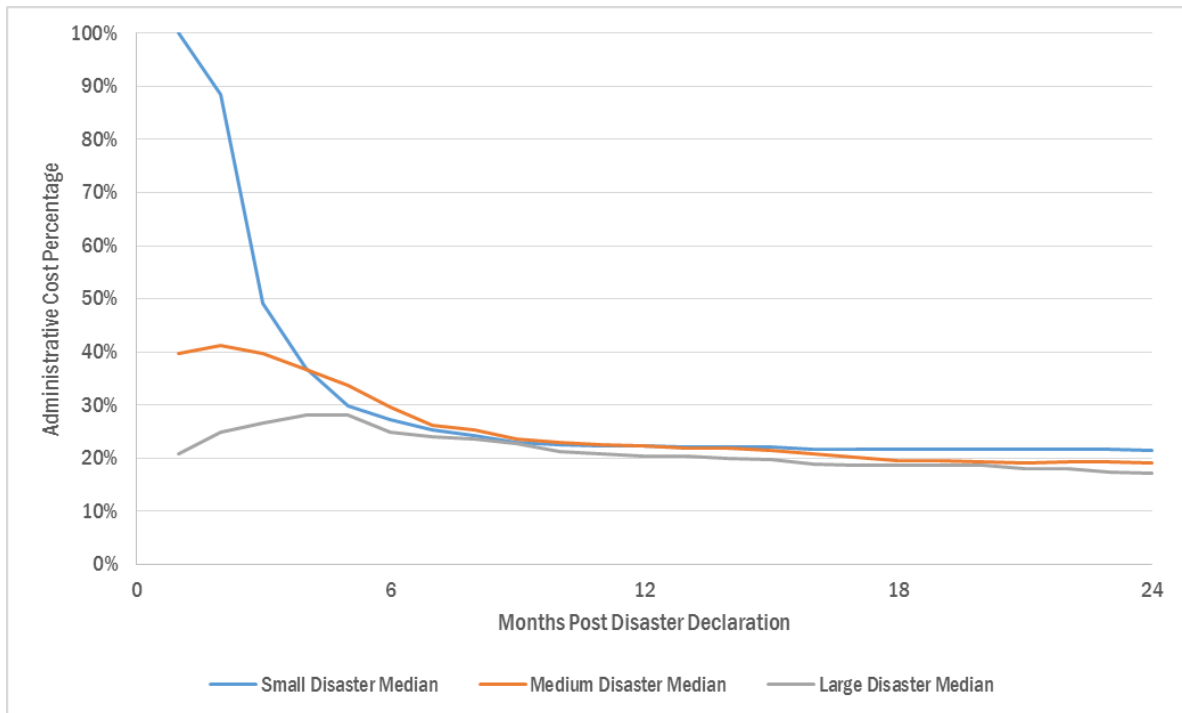


Figure 2: Administrative cost percentage over the first 24 months after a disaster is declared

The figure illustrates that the median administrative cost percentages fluctuate significantly in the first six to eight months after a disaster is declared relative to what they are at the one year mark and beyond. When reporting on disasters declared in FY 2015 in this first report, the Agency is only reporting on disasters that are at least twelve months post disaster declaration. While administrative costs stabilize during the first two years after the disaster, the actual administrative costs are not realized until a disaster is closed and all financial transactions are complete. Therefore, the average annual percentages provided in this report for FY 2015 disasters include data for disasters that have not yet been closed and whose administrative cost percentages may change based on future expenditures.

IV. FEMA Plan to Reduce Disaster Administrative Costs

The FEMA Plan to Reduce Disaster Administrative Costs was signed in December 2015 and released to the Agency in January 2016. The purpose of the Plan is to serve as an internal guide to the Agency in managing disaster operations both effectively and efficiently. It provides cost management principles common to all disasters and flexible strategies to help reduce administrative costs.

The Plan makes clear that the following principles will guide disaster managers at all levels of the organization as they manage administrative costs in disaster operations.

1. FEMA will aggressively advance and pre-stage resources, ahead of any potential large-scale event that may result in a federally-declared disaster.

2. FEMA will seek rapid stabilization following disasters, through the time in which survivors are in stable interim housing, which may require upfront spending to save lives, protect property, and reduce the long term impacts and costs of the disaster.
3. Successful disaster operations require unity of effort through coordination with federal, state, tribal, and territorial partners who all contribute to ensure effective and efficient disaster operations.
4. FEMA will prioritize quickly obligating essential funds within the Public Assistance program, which are critical to facilitating a rapid stabilization and recovery.
5. FEMA will manage administrative costs by considering the entire lifecycle of the disaster through closeout. This may mean higher costs early in the disaster to shorten the disaster lifecycle and decrease the overall cost of the disaster.
6. FEMA will invest in building the capability of staff to respond to catastrophic disasters by training staff in disaster assistance programs and providing response and recovery deployment opportunities enabling proficiency.
7. FEMA will simplify and automate grant administration processes to be more survivor-centric and will virtualize grant administration processes to enable a more efficient, convenient survivor experience.
8. FEMA will work smarter through data analytics on disaster operations so that managers can make informed choices in support of both efficient and effective disaster operations.
9. FEMA will conduct disaster operations in accordance with the principles, tenets, and key concepts in the Incident Management and Support Keystone.¹

In addition, these guiding principles ensure that FEMA continues to meet mission-critical needs while recognizing and acting on areas of improvement. The Plan outlines several important initiatives FEMA had underway, or was planning to implement at the time the Plan was released, to improve efficiency while maintaining the effectiveness of disaster operations. The initiatives are grouped by topic: 1) processes improvement for disaster grant programs, 2) clarifying common practices for field operations, and 3) increasing transparency on administrative cost obligations and projections. They are tracked and reported to FEMA leadership quarterly. Reporting and tracking the progress of these initiatives helps to ensure that they are completed in a timely manner.

The initiatives focus on improving FEMA's effectiveness in disaster operations, understanding that improving effectiveness will likely lead to greater efficiency. Some have been completed

¹ The Incident Management and Support Keystone describes key tenets and concepts for managing operations. It is an important foundational support element of the Agency's new overarching FEMA Publication 1. It also provides a renewed commitment to the National Response Framework, the principles of disaster recovery, the National Incident Management System, and will provide a foundation for our continued effort to empower the Regions and emergency managers in the field. (Full report located here: https://www.fema.gov/media-library-data/20130726-1833-25045-6351/fema_incident_management_and_support_keystone.pdf)

since the publication of the Plan and will help reduce administrative costs on disasters moving forward while also improving the Agency's effectiveness. However, many initiatives, in particular those that address systemic drivers of administrative costs, take more time to mature. These projects, some of which are described below, represent significant changes in program delivery, culture, or Agency internal policies. They require extensive effort up front to set up and are all, for the most part, implemented in phases – meaning that full implementation and thus full benefits, will be realized later. Examples include:

1. Streamlining processes, centralizing labor, and consolidating resources through the *New Public Assistance Program Delivery Model*. At full implementation, the New Delivery Model is expected to reduce overall deployments, reduce travel expenses, and reduce the time to deliver grant dollars. However, it may take several years to refine and fully implement the New Delivery Model, during which time there may actually be increases in administrative costs.
2. Improving the quality of guidance and streamlining policy through efforts such as the *Individuals and Households Program Unified Guidance* and the *Public Assistance Policy and Program Guide*. These documents will streamline the way FEMA approaches disaster operations by ensuring that applicants have a single source of information. They will help to ensure that resource and grant eligibility decisions are right the first time thereby reducing the number of amendments and/or corrections to grant applications and reducing the number of appeals.
3. Developing and maintaining a qualified workforce through the *FEMA Qualification System*. This requires each responding employee to receive field training, coaching, and evaluation. Employees in training must be sent to a disaster operation alongside their qualified counterparts to learn, practice, and be ready for the next disaster. At the disaster operations, trainees receive guidance and evaluation from a coach who can certify when they are qualified to perform the job. This training is an investment in the FEMA workforce that the Agency expects will improve productivity and quality of work. This means that the Agency will be able to process grants faster, and that staff will 'get it right the first time' more often, reducing the likelihood for errors and appeals.
4. Improving FEMA's data management systems and processes through efforts such as *Grants Management Modernization*, which will improve business processes by integrating the Agency's financial systems, increase enterprise-wide access to grants data, and reduce the number of legacy systems that must be maintained, sustained, and secured.

Responsible parties have been identified to carry out these initiatives and the progress of the initiatives is being monitored. The Plan provides context and motivation for additional efforts aimed at better understanding the Agency's administrative costs. The Plan and these initiatives help the Agency be more effective in meeting the needs of disaster survivors while also striving for cost efficiencies. They aim to streamline service delivery or simplify program guidance, train the workforce, or integrate financial systems.

V. FEMA Administrative Spending and Performance Against Strategic Administrative Cost Percentage Goals

The FEMA Plan to Reduce Disaster Administrative Costs sets targets for reducing disaster administrative costs. In meeting targets and driving towards more efficient operations, the Agency must also ensure that it is able to effectively perform its mission.

Table 1 shows FEMA's performance against its strategic goals for disasters declared in FY 2015. It includes the average annual percentage of administrative costs spent on disasters declared in FY 2015, as well as the Agency interim targets for FY 2015 and the Strategic Plan targets for FY 2018. The targets for FY 2015 (22.4% for small disasters; 17.9% for medium; and 16.1% for large) are interim goals meant to help the Agency track its progress towards the ultimate goal of reducing administrative costs by five percentage points by FY 2018. The five percentage point reduction is the goal FEMA has included in its Strategic Plan. To determine the five percentage point goal, the Agency analyzed historical administrative cost data and set an aggressive target to drive change within the Agency.

Table 1: FEMA's Performance Against its Strategic Goals for Administrative Cost Percentages

Disaster Size	FY 15 Disasters spending reported as of October 1, 2016		No. Disasters Declared	Average Annual Administrative Cost % for FY 15	Target Administrative Cost Percentages	
	Total Administrative Costs	Total Dollars Obligated			FY15 Disasters	FY 18 Disasters
Small (less than \$50M)	\$ 116,056,987	\$ 490,199,712	36	23.2%	22.4%	17.9%
Medium (\$50M to \$500M)	\$ 325,996,859	\$ 1,241,352,938	8	26.7%	17.9%	13.4%
Large (Greater than \$500M)	N/A	N/A	N/A	N/A	16.1%	11.6%

Note that using the Total Administrative Costs and the Total Dollars Obligated to calculate administrative costs as a percentage of total costs would not necessarily equal the Average Annual Administrative Cost Percentage shown here for disasters declared in FY 2015. This is because the calculation of the Average Annual Administrative Cost Percentage for a given disaster size is the average of the *percentages* of administrative costs for each disaster of that size in the fiscal year rather than the total administrative spending divided by the total disaster spending. In addition, note that the figures for administrative cost percentages above are only for the disasters declared in FY 2015 and do not include spending incurred in FY 2015 that was for disasters declared prior or since FY 2015.

The Agency did not meet its targets, shown in Table 1 for two reasons: First, as discussed in Section IV, many of the initiatives identified in the Plan, in particular the larger efforts, were not complete and able to benefit FY 2015 disasters. This is partly because the Plan was not finalized until early in FY 2016. These initiatives did not have time to mature enough to contribute to the reduction of disaster administrative costs.

Second, FEMA has made it a priority to ensure that it has an expeditionary workforce, which requires that employees be trained and qualified in the field. This includes individual trainees spending time in the field observing their qualified counterparts and practicing tasks themselves. It also includes coaches and evaluators able to provide guidance and observe progress and areas for improvement for each trainee in the field. As the Agency continues to hire additional staff to meet its readiness goals, the costs of trainees, coaches, and evaluators in the field will add to disaster costs, potentially resulting in an increase in administrative costs in the short-term. While training and qualification activities do have costs, this critical investment is a demonstrated need for an expeditionary workforce. Further, having a qualified workforce will help the Agency more efficiently and effectively deliver its mission. This means that the Agency will be able to process grants faster, and that staff will ‘get it right the first time’ more often, reducing the likelihood for errors and appeals.

VI. Assessment of the FEMA Plan to Reduce Disaster Administrative Costs and Actions to Improve

Since its release, FEMA has continuously assessed the Plan through tracking the progress of the identified initiatives and conducting analyses to understand the drivers of administrative costs.

The Agency has identified actions to improve upon and reach the strategic goals for administrative costs that both increase cost efficiency within the Agency and also ensure effective delivery of the Agency’s mission. These include initiatives identified in the Plan as presented in Section IV, as well as activities that aim to increase transparency on administrative cost obligations and projections, which help inform whether there are ways to refine the Agency’s administrative cost goals.

The Plan calls for increased transparency on administrative cost obligations and projections. FEMA included this in the Plan because the Agency believes that creating transparency across the organization on the sources of costs in disaster operations will better inform managers as well as improve accountability on disaster spending. In addition, it helps the Agency better understand and predict whether it will be feasible to meet its administrative cost goals. Examples of this improved transparency include making key spending data available to Agency employees and working to track administrative spending by program area.

FEMA now provides access to integrated spend plan data to all employees. In making these data available to analysts as well as leadership, FEMA is better able to analyze current costs and forecast potential spending. This provides managers with greater visibility into expected trends in disaster operations. Improving the Agency’s ability to understand what is happening already and what to expect will allow leaders to take strategic action in managing costs.

In addition to making spend plan data available internally, FEMA has made progress towards being transparent about the sources of administrative costs. GAO-15-65 recommends FEMA assess the costs and benefits of tracking administrative spending by grant program area. Similarly, Section 3(a)(2) of the Directing Dollars to Disaster Relief Act of 2015 specifies that the Agency should “compare the costs and benefits of tracking the administrative cost data for major disasters by the public assistance, individual assistance, hazard mitigation, and mission assignment programs, and if feasible, track this information.”

FEMA completed the assessment of costs and benefits as specified in the Act and identified three potential options for tracking administrative costs by program area, tiered by the anticipated costs of implementing the options. The cost benefit analysis helped the Agency prioritize the options being considered and formulate a plan for implementing the most cost beneficial option: to create a capability to report salary and benefit costs by program area. The Agency listed tracking administrative costs by program area as a component of the Plan, adding further that the Agency would strive to identify not only the program area but also where the costs are occurring: in the field (Joint Field office and/or branches), at a FEMA regional office, or at FEMA headquarters. FEMA is pursuing the capability to report salary and benefit costs by program area, the most cost beneficial option identified in its assessment, which should allow the Agency to account for 75 percent of the Agency's administrative costs by program area. Towards that end, in 2016, FEMA piloted a process to capture the costs of salary and benefits for individuals deployed to the field by program area. However, because not all FEMA employees supporting disasters are deployed directly to the field and many support multiple disasters at a given time, FEMA is also pursuing methods to allocate the breakdown of these employees' by program area. As a result, FEMA is still working towards a comprehensive capability to track and report disaster administrative costs by program area. Each of these efforts aims to balance goals for cost efficiency with effectiveness of delivering the Agency's mission.

VII. Conclusion

The Act paired with the two GAO reports have reinforced the importance of managing disaster administrative spending and have helped the Agency set targets to continue improving cost efficiencies in disaster operations. This, the first report in a seven year reporting requirement has presented many of the initiatives inspired or influenced by the Act that are already underway and aim to increase FEMA's efficiency and effectiveness in disaster operations. Both efficiency and effectiveness are central to the Agency's 2014-2018 Strategic Plan, underscoring the importance of not compromising one in pursuit of the other. The Agency must ensure that it continues to effectively deliver its mission while pursuing efficient disaster operations.

FEMA's Plan to Reduce Disaster Administrative Costs has helped the Agency to identify existing efforts and has motivated new initiatives aimed at improving cost efficiency including deeper analysis of the drivers of administrative costs. Many of the initiatives have not yet reached maturity, which is one of the reasons the Agency did not meet its interim disaster administrative cost percentage targets for disasters declared in FY 2015. However, effectiveness is a parallel Agency goal to efficiency. Therefore, while implementing new initiatives may have greater upfront costs, these initiatives are intended to increase the Agency's cost efficiency and decrease total disaster spending in the long term. Further, FEMA has made it a priority to ensure that it has a trained and qualified workforce with the required field experience to increase productivity and reduce duplication of efforts. The Agency continues to demonstrate progress as it balances its administrative cost goals with supporting operational effectiveness to deliver its mission.